



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/2/2003

GAIN Report Number: MX3091

Mexico

Agricultural Situation

Weekly Highlights & Hot Bites, Issue #33

2003

Approved by:

Lisa Anderson

U.S. Embassy Mexico City

Prepared by:

Dulce Flores, Sal Trejo & Gabriel Hernandez

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Includes PSD Changes: No
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Unscheduled Report
Mexico [MX1]
[MX]

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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

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MORE ON SWEETENERS

The Chamber for Sugar and Alcohol Industries published an announcement in the local newspaper urging the President of Mexico to require NAFTA compliance from the United States in the sweeteners area. According to the Chamber, if this compliance is not achieved, then the Chamber will demand that the existing conditions of the 20-percent tax on HFCS-containing beverages remain in effect in order to continue to allow a balance in the Mexican sugar sector. (Source: Economista, 06/25/03)

MEXICO NOT INTERESTED IN RENEGOTIATING THE NAFTA

According to a local newspaper, Mexico's Secretary of Labor, Carlos Abascal, discarded the necessity of revising the NAFTA; however, he did mention that it was feasible to complement and perfect the agreement. Abascal indicated to reporters that Mexico was not considering revising the NAFTA but, instead, was in the position to continue complementing and perfecting the agreement with the United States and Canada. Abascal also indicated that Mexico is projecting how the free trade agreement should change over the next ten years, but is not demanding the reopening of the NAFTA. (Source: El Financiero, 07/01/03)

MEXICO'S POSITION ON TRANSGENICS CONFUSING

According to a local newspaper, the Government of Mexico took sides as a "third party" in the U.S. claim against the European Union (EU) for the delay in opening its market to transgenic products. Although Mexico is neither a producer nor exporter of transgenic products, it is a signatory to the Cartagena Protocol – an international agreement that acknowledges the right of nations to refuse the entry of genetically modified organisms (GMO's). The Government of Mexico confirmed its support of the U.S. claim submitted to the WTO against the EU for the alleged delay. (Source: La Jornada, 06/30/03)

MAJOR FOREIGN INGREDIENT CONTENT IN MEXICAN BEER

According to a local newspaper, Mexican beer is increasingly produced with fewer Mexican raw materials. Furthermore, the industry has been on maximum alert since 2001, due to the prolonged droughts in Canada, USA and Australia, which have completely exhausted their supplies of barley and malt and which have eliminated any possibility of importing these products at dumping prices. Between 1994 and 2002 Mexico imported 1.4 million tons of barley and malt above the negotiated tariff rate quota "cupo". The most noticeable impact from the effect of the NAFTA is the prices to primary producers in Mexico. Mexican beer, by

rules of origin, must be produced with raw materials from Mexico. (Source: El Universal, 07/01/03)

MEXICO HAS NOT TAKEN ADVANTAGE OF THE EU-MEXICO FREE TRADE AGREEMENT

Although bilateral trade between Mexico and the European Union (EU) increased 21 percent in the last three years, Mexican exports increased a mere 0.0017 percent in comparison to a 30.5 percent increase in European exports to Mexico. A local newspaper indicates that this situation could be a result of a lack of interest or a lack of capacity from the Mexican industry to diversify its exports through the Free Trade Agreement with the EU, which took effect three years ago. The article claims that Mexico has not taken advantage of the tariff-rate quotas negotiated under this agreement and that, to export agricultural products to the EU, Mexican companies must do it on a grand scale and by ship in order to consolidate products and reduce shipping costs. To help in this effort, SAGARPA has developed a program to finance part of the packing costs. (Source: Economista, 07/01/03)

HOT TOPICS TO BE DISCUSSED AT THE WTO MEETING

Agricultural subsidies, along with trade in transgenic crops, will be the most important topics of debate between the U.S. and the European Union, during the next World Trade Organization meeting to be held in Cancun, Mexico. Trade in transgenics will be a particularly hot topic at the Cancun Ministerial, since the Cartagena Protocol goes into effect on September 11, 2003, and because, according to Greenpeace Coordinator for GMOs, Liza Covantes, "the United States will try to block its implementation by all means because it foresees more obstacles that would stop world production and trade of transgenic products." Under the Protocol, signatory nations have the right to deny the entrance of transgenics in order to protect human health and the environment. The EU is citing these reasons as justification in delaying the opening of its market to transgenics, but the U.S. sees them as trade barriers. (Source: El Financiero, 06/30/2003)

U.S. SUPERMARKETS WILL TRADE DIRECTLY WITH MEXICAN PRODUCERS

Buyers from 13 major U.S. chain supermarkets have gone on trade missions to different fruit and horticultural producing areas in Mexico, with the purpose of buying directly from Mexican producers. This will result in a 20-percent increase in agricultural exports during the year. These trade missions have been promoted by the U.S.-Mexico Partnership for Prosperity initiative and seek to establish direct trade relations between Mexican producers and important U.S. agricultural buyers. ASERCA, the Mexican government office for trade and export development, indicates that U.S. market chains account for about 37 percent of total agricultural trade in the U.S. and for more than \$190,000 million dollars in sales. (Source: Economista, 07/02/03)

MORE SUPPORT TO MEXICAN COUNTRYSIDE

In a recent press conference, Under Secretary of Agriculture, Francisco Lopez Tostado, announced that, in the short term, the Secretariat of Agriculture, Livestock, Rural Development, Fishery and Food (SAGARPA) would be publishing the "Alianza para el Campo" operational rules under the National Agreement on Agriculture (NAA), allowing the use of the 32.7 billion pesos for 2003. "We are expecting the final consensus from farmer and producers groups in order to validate the operation of the rules without any problem on a multi-annual basis", Tostado said. On the other hand, "PROCAMPO" Coordinator Juan Antonio Fernandez, said that under the program, the support to 650,000 hectares was increased by 18 percent to \$1,030 pesos per hectare and that the delivery of nearly 4.1 million liters of diesel, at half the price, has benefited 85,000 producers. Moreover, "the

special ¢30 per kilowatt rate is being applied and the ¢15 rate would be in operation in the short term" Fernandez said. (Source: Reforma, 07/02/03)

SLOW IMPLEMENTATION OF SUBSIDIZED DIESEL PRICES TO FARMERS

According to a local newspaper, the amount budgeted for the program to supply farmers with subsidized diesel is 2.5 billion pesos (approximately 244 million dollars) and is currently way off target. As of today, only 4 million liters of diesel have been supplied to 85,000 farmers, through 1,300 fuel stations throughout Mexico's farming regions, at a subsidized price of 2.48 pesos per liter (US\$0.24 per liter). The normal commercial price is 4.94 pesos per liter (US\$0.48 per liter). As the amount of diesel currently supplied to farmers represents a fiscal sacrifice of only 10 million pesos (US\$975.6 dollars), it appears as if someone in the government did not do his homework on the calculations. (Source; El Financiero, 07/02/03)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

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MX3089	More Avocado Producing Municipalities in Michoacan Declared Free of Pests	6/30/03
MX3090	Responses to Public Comments on Proposed Standard for New Sawn Lumber	6/30/03

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